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GATT Negotiations Approach

Brazil's Flue-Cured and Burley Exports

Foreign Agricultural Service
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London shopper pauses at meat counter, mindful of successive British Governments' "cheap food policy." However, the Government's current tough anti-inflation program is confined to policy measures within the framework of its new EC obligations.

Earl L. Butz, Secretary of Agriculture

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FAS official assigned to Geneva surveys preparatory work now underway for forthcoming global trade talks and highlights some key problems that must be solved before U.S. negotiators can enter into meaningful talks with U.S. trading partners.

GATT Prepares for Global Trade Negotiations

By NICHOLAS THUROCZY

THIS FALL, representatives of the major trading nations of the world will convene in Tokyo, Japan, to begin the most comprehensive round yet of tariff negotiations under the General Agreement on Tariffs and Trade (GATT). Subsequent sessions will be held in Geneva.

The first full-fledged GATT session to be held since the Kennedy Round of the mid-1960's, the upcoming negotiations will tackle even more thorny problems than in the past, focusing on the rise of trade protectionism and the proliferation of nontariff barriers and other roadblocks to trade specifically prohibited in GATT. The sessions' outcome thus could be the most crucial yet.

Since its birth in 1947, GATT has grown rapidly from 23 Contracting Parties to over 90 today, with well over half its membership now representing developing countries. Both a document that provides the basic international mechanism for liberalizing world trade and an organization set up to use that mechanism, GATT has served the world trading community in three important areas:

- It has provided a set of rules for the conduct of trade;
- It has served as a forum where trade disputes can be resolved;
- It has carried on a series of multilateral trade talks to negotiate reductions in duties and other import restrictions.

Mr. Thuroczy is U.S. Agricultural Attaché to the European office of the United Nations and other international organizations in Geneva, Switzerland.

Important changes have taken place in the world trading community in the past 25 years which, if continuing unchecked, will threaten the ability of the United States to maintain its present agricultural trade position. Among these are the powerful movement for regionalization, which has led to trade discrimination against the United States and other countries; the widespread use of protective measures such as variable levies, quotas, and other restrictions against agricultural imports; and the constant use of export subsidies and dumping.

All these measures are alien to GATT principles, but to date the GATT has not dealt effectively with them. What the United States wants in the forthcoming trade negotiations is to gain reforms that will restore the principles of multilateralism and nondiscrimination in an open world economy where the pattern of trade distribution is more equitable.

Inception of the negotiations. In early February 1972, two joint declarations on trade policy announced that three major trading partners—the United States, the European Community, and Japan—intended to undertake a comprehensive trade negotiation under GATT in 1973, and invited other countries to join them. These negotiations would cover all types of trade restrictions, such as tariffs and nontariff barriers, with a view to expanding and liberalizing world trade in agriculture and industry. The EC Summit, 8 months later, reinforced this intention, and in November, during the annual session of GATT, members of that

Sites of upcoming GATT negotiations in Tokyo, left, and Geneva, below.

body established a Preparatory Committee to develop methods and procedures for a comprehensive trade negotiation.

The Preparatory Committee was instructed to work in coordination with the already existing committees dealing with agricultural products, industrial products, and trade problems of developing countries. The Committee is expected to make its final recommendations on objectives and procedures for a negotiating conference before the upcoming ministerial meeting scheduled for September 1973 in Tokyo. This meeting is expected to launch the formal opening of a new round of multilateral trade negotiations, the seventh under the auspices of GATT.

After the conclusion of the Sixth Round in 1967 (the Kennedy Round), GATT had embarked on an intensive program of preparations for the next round. It established the Agriculture Committee, the Committee on Trade in Industrial Products, and the Committee on Trade and Development for the benefit of the developing countries.

The principal task of the Agriculture Committee was to assemble the basic documentation, identify the principal problems, and search for possible solutions. The result of this work was, first, the establishment of a comprehensive inventory of export, import, and production measures affecting trade, and, second, the examination of possible techniques and modalities for the negotiations on agriculture. The work was slow and time consuming.

This examination revealed that agricultural support measures in most cases resulted in artificially high prices protected from outside competition by variable levies, quotas, or other restrictive devices. In the absence of measures to limit production, the systems often created surpluses which were dumped on world markets with the aid of export subsidies. In short. the systems penalized the efficient producers in the protected markets as well as in third countries.

"Important changes have taken place in the world trading community in the past 25 years which, if continuing unchecked, will threaten the ability of the United States to maintain its present agricultural trade position."

The work of the Agriculture Committee soon revealed two major views on how negotiations should proceed for agriculture. On one side, the efficient producers urged that negotiations should provide conditions that lead toward more commercially oriented world trade. On the other side, the less efficient producers held that negotiations should seek to stabilize conditions in trade through regulated markets based on commodity agreements and minimum prices.

Negotiations now going on under Article XXIV:6 of GATT, in connection with the enlargement of the European Community from six to nine countries, will have a strong bearing on the outcome of the Seventh Round.

The GATT rules provide in effect that if the enlargement increases for any commodity the duty or the protective measures that had been bound against increases by any of the countries acceding to the EC, this change must be negotiated with interested supplying countries.

On February 1, 1973, the United Kingdom, Ireland, and Denmark took the first step toward changing from their relatively liberal agricultural systems to the more protective EC system. This change threatens well over one-half of the $500-million U.S. agricultural exports to these three countries. Among the major concerns of the United States is its trade in lard, grains, tobacco, and fruits, and it is seeking adjustments in the protective system of the enlarged Community.

The executive arm of the Common Market, the EC Commission, which is in charge of negotiations with the United States and other countries in these Article XXIV:6 talks on enlargement, is also expected to negotiate on behalf of the Nine during the forthcoming global trade negotiation.

In the final communique of the EC Summit of October 30-31, 1972, the EC institutions were "invited" to draw up, by July 1, 1973, a "global approach covering all aspects affecting trade." The resulting mandate, published on June 26, defends the present EC Common Agricultural Policy, while urging the negotiation of international commodity agreements.

Agricultural Views Vary Widely Among OECD Members As GATT Negotiations Approach

By GORDON O. FRASER
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When the multilateral GATT negotiations begin this fall, member nations will be presenting a diversity of agricultural positions, ranging from liberal trade policies, to protectionist policies, to concern by developing countries that their needs are not being met.

These varying positions came more clearly into focus at the April meeting in Paris of OECD Ministers of Agriculture, as representatives of member nations outlined their agricultural problems and goals.

In the opening session of that meeting, OECD Secretary General Van Lennep defined the main philosophical differences that will confront negotiators this fall. On the one hand, he pointed out, is the push for greater liberalization of world trade being made by the United States, Canada, and other nations that generally depend on the market to determine production and trade patterns. On the other hand, is the tendency toward greater organization and regulation of world markets—a tendency most obvious in the European Community (EC).

The less developed countries (LDC's) made up the final area of Van Lennep's discussion. These countries, he said, can be growing markets, but only if development is pursued and access to markets in the developed countries is provided, especially for tropical and processed products.

The contrasting philosophies were presented in the context of the currently universal problem of rising food prices, which reflect structural shortages for such products as beef and temporary supply shortages of cereals and foodstuffs—which also mirror the growing interdependence of the world today.

Among the individual nations, a variety of agricultural goals and problems were described.

Australia. This country's goal—like that of the United States, Canada, and other efficient agricultural producers—is to encourage relatively free trade and discourage protective barriers that foster uneconomic output. Senator Ken Wriedt, the new Government's Minister for Primary Industry, expressed the Government's intention to base farm policies on long-term market trends and to keep their international impact in mind. Domestic price stabilization schemes will be used to cushion price fluctuations without hampering adjustments in production to varying market conditions. He also indicated the possibility of Australia's reducing its agricultural support program but said this would depend upon what happens elsewhere.

Regarding the EC, Senator Wriedt expressed concern that the Community's recent expansion to include the United Kingdom, Ireland, and Denmark might lead to more high-cost, sheltered production and thus hamper world trade.

Canada. Agricultural Minister Eugene F. Whelan expressed the hope that the forthcoming GATT negotiations would bring significant reductions in trade barriers, including both tariff and nontariff restrictions, and that agriculture would receive treatment comparable to that accorded industry.

These views reflect Canada's overall farm policy, as described by Mr. Whelan—a policy of encouraging production to meet market demands, with Government interference limited to guiding farmers. This guidance has come through such developments as the new grains policy, which involves informing farmers about price prospects before planting time, and programs to alter end products to meet demand; i.e., the new grading system for beef and pork, which is more responsive to consumer demand for leaner meat.

The Canadians feel that Government interference creates rigidities, and protective policies distort the use of resources, while serving to disrupt domestic and international market patterns. In addition, they say that basic agricultural problems cannot be solved in isolation, and large countries and blocs should show consideration for problems of smaller ones.

Japan. Vice Minister Kamenaga pointed up Japanese concern over stability of the world market for agricultural products—a concern that has been especially pronounced recently because of agricultural shortages and high world prices. This position reflects the fact that Japan's agricultural imports rose 26 percent last year to account for some 10 percent of the world total. The country thus supports international efforts to stabilize world markets and assure adequate supplies.

Mr. Kamenaga also described the special problems plaguing Japanese agriculture, which is characterized by many small farms, low productivity, and a high average farm age. These problems are further aggravated by skyrocketing land prices, which make it difficult for farmers to expand their operations and increase efficiency.

He said Japan is working to overcome such difficulties through programs to improve basic infrastructure in rural areas, provide assistance to persons leaving agriculture, and encourage local industry in rural areas with the aim of

Mr. Fraser was formerly the U.S. Agricultural Attaché to the U.S. Mission to the Organization for Economic Cooperation and Development, Paris.

Left to right, cattle feeding in Australia—the world's top exporter of meat and meat products; milking time in France—where dairy surpluses are a major problem; combining wheat in Canada—a nation with a big stake in world farm trade; and a store in Japan—a top farm importer.

developing a mixed rural population and environment, and helping solve overpopulation problems of the cities. He also referred to pollution as a growing concern in this densely populated, highly industrialized country.

European Community. EC Commissioner for Agriculture, Petrus Josefus Lardinois, said that enlargement of the EC has increased its responsibilities in relation to both the developed and underdeveloped world—that the EC will always be ready to assist in the search for solutions to problems but in doing so cannot suppress its Common Agricultural Policy (CAP).

He explained that the EC price policies and structural measures embodied in the CAP are aimed at dealing with the existing situation where the ratio between manpower in agriculture and available land is still inadequate. EC price policy, he said, tries to maintain and improve farm income, even though agricultural prices have not increased as rapidly as other prices.

Regarding commodity trade, Commissioner Lardinois said that it is not possible to act in isolation and commodity arrangements are needed for the major products like cereals, sugar, and dairy products. Codes of conduct, he said, should regulate trade in other products, and the interests of the LDC's must be given full consideration in these efforts.

Among the individual EC representatives, Agricultural Minister Chirac of **France** opposed any form of extreme trade liberalization, which he said would infringe on the CAP. Instead, he focused on the present supply shortages, which he felt might be a prelude to general food shortages, particularly in view of increasing population in the LDC's. He said agriculture should not be limited but directed to sectors where the need is greatest and that there should be a civilized balance between rural and urban areas, with the flight from the land slowed down.

He asserted a need for more far-reaching international cooperation, with rules to limit unbridled competition and greater attention on forecasting consumption trends and matching production with these trends.

The statement by Minister Ertl of **West Germany** was moderate in tone, stressing the need for international cooperation as manifested by the present international cereals situation.

Agricultural Minister Godber of the **United Kingdom** spoke of the "immense importance" of the GATT negotiations. He stressed the particular value of the OECD as a forum where issues between developed countries could be openly discussed without commitment. He also stated that particular attention needs to be paid to avoiding policies tha generate surpluses and waste resources.

Mr. H. J. Kristensen of **Denmark** mentioned the problem of surpluses—notably butter in the EC—at a time of general agricultural shortages and the need for better information to prevent sharp fluctuations in supply. He also said that it was in the common interest that efficient producers survive, that agricultures do not preserve uneconomic production, and that national policies do not damage trade between countries.

New Zealand. Agricultural Minister Colin J. Moyle, whose country has been invited to join the OECD, put forth some of the problems of the smaller developed countries. He said that the present situation is difficult for a country such as his, which is heavily dependent on export markets.

Stability in growth of demand is needed, he said, instead of the present conditions of inflation, rising food prices, scarcities for some products and surpluses of others—conditions which he attributed largely to protection of agriculture in developed countries. Along these lines, he said that policies of the European Community do not benefit EC producers or consumers, and certainly not third countries.

Mr. Moyle said that New Zealand can play a complementary role to Northern Hemisphere agriculture but cannot accept being reduced to a residual supplier. It does not, he said, employ export subsidies but it does require some security of access to markets in developed countries.

United States. Much of the attention at the OECD meeting was centered around the statement by U.S. Secretary of Agriculture Earl Butz, who described changes being made in U.S. agricultural programs as a result of the current supply-demand situation and suggested that the EC and other countries make similar appraisals of their farm policies (see *Foreign Agriculture*, April 23, 1973).

Secretary Butz pointed out the major adjustments that have been made in U.S. policies in response to expanded consumer and export demand. These include increased reliance on market forces to govern production patterns and provide income support to farmers. He said that U.S. production of basic crops is being expanded considerably in 1973 to restore depleted stocks resulting from extraordinary export demand in 1972-73. Export subsidies have been eliminated and various measures taken to increase imports of beef and other scarce products.

Brazil More Competitive In Flue-Cured and Burley

By ROBERT W. JOHNSON
Tobacco Division
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THE SHOESHINE BOYS in front of Hotel Charua in Santa Cruz do Sul, Brazil, have their busy season in January, February, and March. These are the months when farmers sell their tobacco, and the hotel is full of buyers from the United States, Europe, and Asia.

Brazil, a traditional exporter of cigar and native air-cured cigarette tobacco, recently entered the world market as an exporter of Virginia flue-cured and burley, types for which most buyers look to the United States.

Brazil's exports of Virginia-type flue-cured in 1972 were estimated at 40 million pounds. This made Brazil the world's fifth largest exporter of this type following the United States, India, Rhodesia, and Canada. Burley exports reached 6 million pounds in 1972, putting Brazil in sixth place as a burley exporter after the United States, Italy, Mexico, Greece, and South Korea.

Because of Brazil's relatively low prices for these types of tobacco, exports are expected to double within 3-5 years. Unless there is an unexpected increase in exports of other countries, Brazil would become the United States' second largest competitor for quality flue-cured and among the top four for burley exports.

Brazil is the world's fifth largest tobacco exporter after the United States, Turkey, India, and Greece. Exports in 1972 were 139 million pounds compared with 605 million pounds exported by the United States. Average price of Brazil's exports was 33 U.S. cents per pound compared with $1.05 for U.S. leaf. Average price for Brazil's 1973 crop burley and Virginia-type flue-cured is 41-45 cents per pound, with better grades selling for 59-63 cents.

Brazil was exporting tobacco long before the United States. However, until recently, these exports have been cigar or native air-cured or flue-cured types, not competitive with U.S. exports.

Cultivation of Virginia-type flue-cured and burley began about 1948. Production became significant around 1955 and continued to increase to an average of about 7 million pounds of Virginia-type flue-cured and 4 million pounds of burley in 1960-64. By 1972, production had reached 78 million and 31 million pounds, respectively.

Cigarette tobacco now accounts for about 60 percent of total tobacco production. Cigarette output, at 83 billion pieces in 1972 (73 percent filter tipped), accounts for about 160 million pounds of leaf, or about 40 percent of total utilization. Twist accounts for 25 percent, exports for 33 percent, and cigars and other manufactured products for the balance.

Cigarette tobacco. Cigar tobacco dominated Brazil's leaf exports until 1972, when cigarette tobacco passed cigar tobacco for the first time. Cigarette tobacco exports (from southern ports) were 77 million pounds while cigar tobacco exports (from northern ports) were 62 million pounds.

Brazil's cigarette tobacco is composed of four types: Galpao or native air-cured, amarelinho or native flue-cured, burley, and Virginia-type flue-cured. The latter two were at first used to supply domestic industry. Exports first became significant in 1968, when an estimated 3 million pounds of burley and 6 million pounds of Virginia-type flue-cured cigarette tobacco were shipped.

"Because of Brazil's relatively low prices for these types of tobacco, exports are expected to double within 3-5 years."

Cigarette tobacco is produced almost entirely in the southernmost States of Rio Grande do Sul and Santa Catarina. About 80 percent of cigarette tobacco is produced by descendants of German immigrants. Along with descendants of other nationalities, they live on small farms, averaging about 15 acres. Each farmer generally cultivates about 3.5 acres of tobacco.

Most tobacco is transplanted by hand and cultivated by oxen. Producers set about 5,260-6,880 plants per acre. Yields average about 1,400 pounds for bright flue-cured and 900 pounds for burley. Fertilizer is used on virtually all cigarette tobacco.

After cigarette tobacco is cured, it is sorted, tied into "hands," bundled, and packed in 30-60 kilogram bales labeled as to stalk position and color categories. It is then delivered to buyers, who contract with producers and furnish seeds, credit, and technical assistance. There is no production control program. Contractors encourage producers to grow as much tobacco as they can use domestically or sell on the international market.

Producers received about 25 U.S. cents per pound for their 1973 crop of Virginia-type flue and burley. This was a substantial increase from the approximately 18 cents per pound received during the past few years.

Twist tobacco. The first form in which tobacco was exported from Brazil was twist tobacco. This form now accounts for a very small proportion of exports but makes up an estimated one-third of all tobacco consumed domestically. It is produced all over the country, although the State of Minas Gerais is out in front.

Twist or cord tobacco is made by twisting partially-dried, stemmed leaves into tobacco ropes. These ropes or cords are then wound around poles and fermented in the sun. During fermentation, each rope is unwound three times a day and twisted still more tightly. This tightening process squeezes out black juice, which is poured over the ropes during and after the fermentation process. After cords are fermented in the sun for a number of days, they are left in the shade and are unwound and squeezed three times each day until the desired moisture content is attained. Some makers add sugar during the fermentation process. Others use only natural tobacco juice, which gives a dark coating to tobacco ropes.

Twist tobacco retails for about $1.20 per pound in Rio and São Paulo. It may be used for chewing, pipe tobacco, or for rolling in precut corn shucks to

make roll-your-own cigarettes.

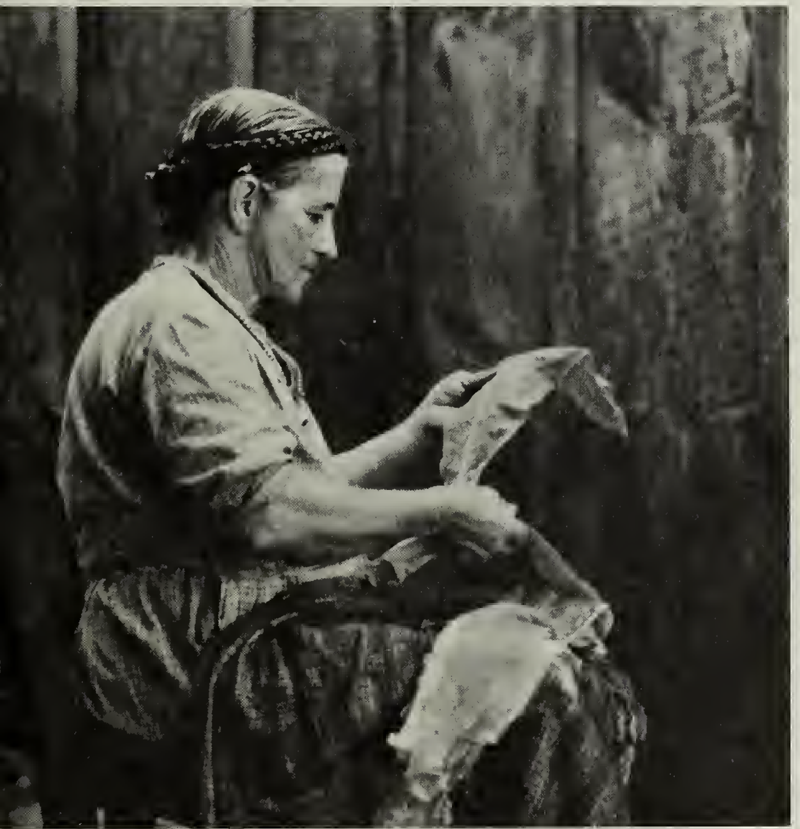
Cigar tobacco. Cigar tobacco is produced in the Northeast, principally in the States of Bahia and Alagoas. Salvador, capital of the State of Bahia, is the center of cigar tobacco trade. Tobacco cultivation in the Northeast is done entirely by hoe. One producer can cultivate 2.2 acres of tobacco on which he would gross only about $250.

Cigarette consumption. Brazil's cigarette consumption has been increasing at a rate of about 4 percent a year. However, in 1972 consumption shot up about 9 percent above the 1971 level. Population growth rate is estimated at 2.8 percent.

There are two probable reasons for faster growth in cigarette consumption. First, incomes are rising rapidly, and adults are switching from twist tobacco to readymade cigarettes. Second, a relatively large proportion of the population is in the young smoking-age group.

Brazil's economic growth rate is among the world's highest. Gross domestic product has been increasing at an average annual rate of over 10 percent during the past 4 years. More jobs are available and with higher incomes, more people can make the switch from smoking farm-processed twist tobacco to smoking manufactured cigarettes. The most popular brand retails for 43 U.S. cents per package of 20.

The population is relatively young. One-half of all Brazilians are under 18 years while, in comparison, one-half of the U.S. population is under 28. This means that a large proportion of the population is just coming into the smoking-age group. About 13 percent is in the 14-19 age group, the young smoking group, compared with 11 percent in the United States.



Brazilian woman removes stems from tobacco leaves, left. Above right, farmer demonstrates traditional method of preparing twist tobacco, tied tightly around poles and left to stew in its juice in the hot sun. Below right, farmer inspects packed leaves, ready to go to factory in Santa Cruz do Sul, where workers sort leaves, below left.

CROPS AND MARKETS

New Title II Aid to India and Bangladesh Totals $10.2 Million

The U.S. Government is donating nearly 31,000 tons of food to Bangladesh and India under Title II, Public Law 480. Donations include edible oils, grain, and blended protein food.

Bangladesh will receive 5,761 tons of soybean oil with a delivered market value of $3.2 million. The $7-million gift to India consists of 17,200 tons of high-protein food blends of corn-soya-milk (CSM), 4,373 tons of wheat, and 3,400 tons of vegetable oil.

The Indian donation will be contributed through four U.S. voluntary agencies, while the soybean oil to Bangladesh will be distributed free or sold at a nominal cost through the Government's fair price shops.

Including the oil contribution listed here, the U.S. Government has committed about $370 million in food, cash, medical, and other supplies to Bangladesh since that country achieved independence in 1972. In fiscal 1973 the United States has donated some 398,000 tons of food commodities to U.S. voluntary agencies in India.

Jamaica, Nicaragua Get World Bank Farm Loans

The Inter-American Bank recently approved loans totaling $12.1 million to assist Nicaragua and Jamaica boost output, sales, and export of farm products.

Jamaica's $7.9-million loan will be used to provide credits and working capital to convert approximately 2,700 existing farms and 300 new ones into self-supporting production units. Those that will especially benefit are Jamaican livestock producers, especially those raising dairy and dual-purpose cattle; farmers growing food for domestic consumption; and producers of trees to supply tropical fruits for local and export markets.

Nicaragua's loan of $4.2 million will be relent to some agro-industry companies engaged in assembling, grading, storing, processing, packaging, and distributing farm, livestock, marine, and forestry products. Among these are plants for lumber grading and drying, mixing liquid-feed supplements, hog slaughtering, meat packing, and manufacturing milk powder.

Mozambique Sets $20.5 Million For 1973 Farm Development

The Mozambique Government recently released some details of its 1972-75 Agricultural Development Plan.

Mozambique has allocated US$20.5 million to general agricultural development during 1973.

Two-thirds of the total 4-year allocation has been set aside for agricultural and veterinary research. Mozambique currently produces all of the vaccines needed to combat livestock diseases.

Major projects planned for the 4-year period include the opening of farmland to both local and foreign farmers in the Vila Pery and Zambéze Districts, completion of a farmland survey including forestation prospects in the districts of Beira, Vila Pery, and Zambézia; limited land distribution; and soil protection measures in the northern area of Angonia.

The Government reported the value of livestock farming in Mozambique has reflected a general uptrend in recent years, and cited the following figures in millions of U.S. dollars for the period, 1968-72: 160.1, 144.8, 152.9, 158.9, 176.0. Despite widespread drought, total value of livestock and livestock products in 1973 is expected to rise to some US$200.2 million.

FRUIT, NUTS, AND VEGETABLES

Spanish Tomato Estimate

Approximately 44,500 acres have been planted to tomatoes for processing this year, essentially the same as in 1972, according to Spanish trade sources. If conditions are normal, a Spanish crop between 480,000 and 500,000 metric tons of tomatoes is expected.

Record Spanish Citrus Crop

Based on present tree conditions, Spanish trade sources estimate the 1973-74 citrus crop at 3.3 million metric tons, 22 percent above the Fruit and Vegetable Syndicate's estimate for 1972-73. With the 1972-73 export season nearing completion, total shipments through May 28 exceeded 1.8 million metric tons, more than any previous year.

Canada Increases Duty On Hothouse Tomatoes

The Canadian Government, on February 20, 1973, temporarily reduced duties on a wide range of consumer goods including tomatoes.

Prior to February 20, the duty rate on imports of hothouse tomatoes was zero for the 3-month period January through March. For the remaining 9 months a rate of 1.5 Canadian cents per pound could be applied for a maximum of 32 weeks and for the balance of the period a 10-percent ad-valorem rate could be used.

The rate of 10 percent was eliminated February 20; hence imports were only subject to a duty of 1.5 cents per pound for a maximum of 32 weeks.

On June 16 the Canadian Government reinstated the 10-percent rate, thus returning the import duties to original levels.

Indian Cashew Estimate Revised Downward

Early estimates of India's 1973 cashew crop have been proven optimistic as rains during January and February reduced prospects. With virtually all the crop harvested, trade sources place production at 88,000 short tons (raw-nut basis) compared with preharvest estimates of 105,000 tons.

Imports of raw nuts from African producers are also below

expectations—again due to smaller than anticipated crops. India's imports are expected to total 180,000 tons in calendar 1973 compared to 212,000 tons last year.

Prices have risen rapidly in recent months, reacting to the tight market situation. Indian large white pieces were quoted at $1.10 per pound (c.i.f., London) in early June 1973, compared to 92 cents just 1 month earlier. In New York wholesale prices have risen 10 cents per pound over the past 4 months for whole, fancy grades.

EC Continues Subsidies For Fresh Fruit and Nuts

The European Community recently announced several changes in export subsidies on selected fresh fruits and nuts. Effective June 27, 1973, the export subsidy of 4 units of account (U.A.) per 100 kg. for both oranges and mandarins was eliminated, and the subsidy of 12 U.A. per 100 kg. for shelled almonds was reduced to 6 U.A. Except for these changes, and the addition of peaches, the list of commodities and rates in the accompanying table has remained unchanged since November 1972.

As indicated in the table's footnote, official parity between the EC's unit of account and the U.S. dollar is UA1= US$1.20635.

This, however, merely represents an overall approximation. A more precise measurement would necessitate adjustments in the table to reflect the relationship of the respective currency of each EC Member State to the unit of account and to the current value of the U.S. dollar.

EC EXPORT SUBSIDIES
FOR FRESH FRUITS AND NUTS

Item	Export subsidy
	Units of account[1] per 100 kg.[2]
Oranges[3]	4.00
Mandarins[3]	4.00
Lemons[3]	1.44
Grapes, table, hothouse[4]	16.00
Almonds, shelled	6.00
Walnuts, in-shell	8.00
Hazelnuts, shelled	4.00
Apples[3] [5]	3.00
Peaches[3] [6]	4.00

[1] UA 1=US$1.20635. [2] Equivalent to 220.4 pounds. [3] Quality classes extra, I, and II. [4] Quality classes extra and I. [5] Other than cider apples. Applies to exports to Africa, (except South Africa), the Arabian Peninsula, Syria, Bulgaria, Hungary, Poland, Romania, Czechoslovakia, the Soviet Union, Yugoslavia, Austria, Brazil, Venezuela, and Peru. Apples shipped via the Cape of Good Hope receive an additional subsidy of UA4 per 100 kg. [6] Excluding nectarines.

LIVESTOCK AND MEAT PRODUCTS

Venezuelan Press Cites Reasons for Beef Shortage

Venezuela, like other countries around the world, is unable to produce or import sufficient beef to meet the demands of its consumers. The Venezuelan press has printed a number of articles detailing reasons for the shortage. Among these are:

- Extreme dryness of pastures in recent months, said to be greater than in past years because of an extended drought and erratic rainfall pattern in 1972;
- Breakdown in the market system which has caused a relative shortage in low-grade beef cuts, but an ample supply of top-quality beef at more prosperous markets;
- Producer dissatisfaction with farm-level prices; and
- Failure of the agreement, reached with Colombia in the fall of 1972, to make available sufficient cattle. The current pact was to provide for a more formal entry pattern of cattle into Venezuela than in previous years, when some 300,000-350,000 head moved across the border each year. Under the arrangement, cattle were probably to be allowed to enter Venezuela in lots of 5,000 head. However, a new pact may be worked out which could lead to the possible entry of 25,000 head, temporarily relieving the shortage.

Other newspaper reports indicate price rises in Colombian cattle may tend to limit arrivals into Venezuela, and importers are said to be seeking other cattle sources, particularly Brazil and Central American countries.

EC Moves To Up Beef Production

The EC Council of Ministers recently authorized premium payments to certain owners of dairy herds who convert to meat production. To qualify, applicants must give up production of milk and milk products for 4 years but maintain at least the same number of adult bovine animals as they now have. They must also have a minimum number of cows—15 in Denmark, 4 in Italy, and 11 in all other EC countries.

The premium is set at the equivalent of US$4.23 per 100 pounds of milk delivered during the previous 12-month period.

The regulation also authorizes any Member State not to implement the scheme in regions where average milk prices paid to producers in 1972-73 were higher than 125 percent of the target price for milk. In these regions, a development premium would be paid to encourage meat production.

To qualify for the development premium, a producer must have at least five cows or in-calf heifers of beef breeds, and undertake to keep for 4 years a greater number than that kept on the reference date. In any case, not less than eight must be kept in the fourth year of the program.

The development premium will be the equivalent of US$290 per additional cow or in-calf heifer.

SUGAR AND TROPICAL PRODUCTS

Brazil's Cocoa Exports Down 14 Percent in 1972

Brazil's exports of cocoa beans in 1972 totaled 102,256 metric tons valued at $59.2 million, off 14 percent from 1971 shipments of 119,072 tons valued at $61.7 million.

The major recipients of 1972 exports were the United States, 59,373 tons; Spain, 10,419; Poland, 8,460; the Soviet Union, 7,290; Argentina, 5,908; Bulgaria, 4,170; and Romania, 2,700.

Exports of cocoa products were larger in 1972, however. Cocoa butter exports increased to 27,333 tons valued at $33.1 million, up from 21,131 tons valued at $24.3 million in 1971. Most cocoa butter exports were to the United Kingdom,

7,835 tons; the Netherlands, 7,270; the United States, 7,230; and the Soviet Union, 2,425.

Exports of cocoa cake also were higher, totaling 25,006 tons valued at $6.4 million, compared with 1971 exports of 19,638 tons valued at $4.9 million.

China Purchases Australian Sugar

The People's Republic of China recently ordered 50,000 metric tons of raw sugar from Australia, the largest sugar transaction ever between the two countries. The purchase probably resulted from the inability of Cuba to ship its usual amount of sugar to China. In addition, China produced a short crop in 1971-72 and stocks were believed reduced.

Cuba supplied practically all of China's sugar imports in 1970 (530,000 tons) and 1971 (464,000 tons). However, Cuba had a poor crop in 1971-72 and was able to export only 274,000 tons to China in 1972. China's total sugar imports amounted to 700,000 tons in 1972, of which 400,000 tons were shipped by Brazil.

Brazilian Pepper Exports Lower

Brazil's exports of black and white pepper during 1972 totaled 14,298 metric tons valued at $12.7 million, down from the record 1971 exports of 17,326 tons with a $14.9 million value.

In recent years, Brazil has become the second largest supplier of pepper to the United States. U.S. imports from Brazil last year were 4,090 metric tons valued at $3.3 million. Total U.S. pepper imports in 1972 were about 24,000 tons, valued at $21.1 million.

TOBACCO

United States Sells Tobacco to China

A contract was recently signed to supply about 200 metric tons of U.S. tobacco to the People's Republic of China (PRC), according to the U.S. Liaison Office in Peking.

The Pacific Trading Company of Hong Kong informed the Liaison Office June 15, 1973, it had signed a contract in Peking on behalf of a U.S. firm to supply the PRC with U.S. leaf valued at over $500,000.

The letter also extended an invitation for a PRC representative to visit the United States to inspect the tobacco prior to shipment in late July this year. The Chinese say they will consider the invitation.

It was also stated that this may be the second sale of U.S. tobacco to the PRC. The first contract is believed to have been made in September of last year.

However, the Department of Agriculture's only indication of prior tobacco trade was a shipment of 22,000 pounds of Chinese flue-cured tobacco that arrived in the United States in September last year, followed by 44,000 pounds in October. This could have been part of an exchange of small quantities of tobacco for sampling and testing between traders representing U.S. and Chinese firms.

This may represent a breakthrough in tobacco trade with the PRC. However, movement of a significant quantity of U.S. tobacco to the PRC will probably require a decision to upgrade the quality of cigarettes consumed domestically, and a priority allocation of foreign exchange for tobacco.

The PRC is a significant exporter of cheaper grades of flue-cured tobacco and most likely it will be interested in tobacco imports from the United States only if this country will take equal or larger quantities of Chinese tobacco in trade.

In earlier years, China was the second largest importer of U.S. leaf but China gradually shifted over to domestically produced tobacco.

China is now the world's second largest producer of tobacco, exceeded only by the United States.

FATS, OILS, AND OILSEEDS

Greece Limits Soybean Oil Use

Greece has joined Spain and Portugal, and other major olive oil producers in the region, in imposing restrictions on the domestic sale or use of soybean oil from imported—primarily U.S.-produced—soybeans.

The recent Greek action was in the form of a legislative decree that grants soybean imports duty-free status only if the beans are crushed and the oil exported. Government purchases of soybean oil for domestic use are exempt from mandatory exportation requirements.

Greece is also expected to complete construction of its first soybean crushing complex late this fall opening a new potential market for several million bushels of U.S. soybeans.

Argentine Cake and Meal Exports

During the January-April 1973 period, Argentine exports of oilseed cakes and meals increased to 220,400 metric tons—53 percent above the 143,600 tons exported in the same 4 months of 1972.

The following table—in thousands of metric tons—compares the January-April 1973 exports with those of the same period in 1972:

	1972	1973
Sunflowerseed	64.7	103.5
Linseed	70.9	92.1
Peanut	4.5	19.8
Cottonseed	3.5	5.0
Total	143.6	220.4

The increase in exports for this period was equivalent to 70,200 tons of soybean meal, on a 44 percent crude-protein basis, or the protein fraction of 3.2 million bushels of soybeans.

GRAINS, FEEDS, PULSES, AND SEEDS

Argentina Sells Corn to Cuba

The Argentine Grain Board has reportedly sold 58,000 tons of corn, in two lots, to Cuba's food import agency, with shipment from July through September. Argentina last shipped corn to Cuba in 1964.

Grain Exports and Transportation Trends: Week Ending June 29

Weekly grain inspections for export and grain moving in inland transportation for the week of June 29 and the previous week were:

Item	Week ending June 29	Previous week	Weekly average, May	Weekly average, third quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections, for export:				
Wheat	670	903	758	637
Feedgrains	872	1,001	688	690
Soybeans	187	114	268	327
Total	1,729	2,018	1,714	1,654
Inland transportation:				
Barge shipments of grain	592	525	221	495
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	36,356	33,402	30,619	32,271

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 10	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	(1)	(1)	1.96
USSR SKS-14	(1)	(1)	1.89
Australian FAO [2]	(1)	(1)	1.78
U.S. No. 2 Dark Northern Spring:			
14 percent	3.70	+10	1.96
15 percent	3.76	+ 6	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	3.67	+11	1.87
No. 3 Hard Amber Durum	4.19	+17	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	3.09	+ 8	1.74
Argentine Plate corn	3.49	+ 7	1.81
U.S. No. 2 sorghum	2.94	+ 4	1.64
Argentine-Granifero sorghum	2.96	+ 5	1.64
U.S. No. 3 Feed barley	2.57	+ 9	1.30
Soybeans: [3]			
U.S. No. 2 Yellow	8.16	−28	3.89
EC import levies:			
Wheat [4]	[5] 1.03	− 3	1.39
Corn [6]	[5] .35	− 6	.71
Sorghum [6]	[5] .46	− 3	.84

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in the U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

USDA Reports Export Sales Of Grain, Certain Oilseeds, And Meal

Based on information received by the U.S. Department of Commerce from exporters, USDA reports undelivered export sales as of June 22, 1973.

Marketing years for these crops are as follows: Wheat, barley, rye, and oats—June 13 to June 30, 1973, and July 1, 1973 to June 30, 1974; and July 1, 1974 to June 30, 1975; rice and cottonseed—August 1 to July 31; soybeans—September 1 to August 31; and corn, grain sorghum, soybean cake and meal—October 1 to September 30.

USDA officials pointed out that as of June 22 we were well into the 1972-73 marketing year on corn, grain sorghum, rice, oilseeds, and meals. Generally speaking, the quantities remaining for shipment in 1972-73 are less than those reported as of June 13, indicating that exports exceeded new sales in the intervening period. The quantities shown for shipment in 1973-74 are generally higher than in the previous report, indicating some additional sales were made.

USDA plans to release summary data each week as reported by U.S. exporters under Export Control Bulletin 84 (a) as part of a cooperative arrangement with the Department of Commerce.

ANTICIPATED EXPORTS IN INDICATED MARKETING YEAR—AS REPORTED BY JUNE 22, 1973
[In thousands of metric tons]

Commodity	1972-73	1973-74	1974-75
Wheat, totals	2,319	17,790	377
Hard Red Winter	1,532	13,100	243
Soft Red Winter	79	229	0
Hard Red Spring	421	3,230	98
White	143	363	0
Durum	144	786	36
Mixed	0	82	0
Barley, unmilled	214	907	0
Rye, unmilled	173	292	0
Oats, unmilled	35	239	0
Corn, except seed, unmilled	10,562	16,307	54
Grain sorghum, unmilled	1,811	2,096	0
Rice	110	101	3
Soybeans	2,403	11,802	426
Soybean cake and meal	2,056	4,158	1
Cottonseed, cottonseed cake and meal	20	4	0

New Foreign Agricultural Circulars

- U.S. Dairy Product Exports Down and Imports Up in 1972 (FD-2-73)
- The Marketing Situation for Winter Citrus in Europe (FCF-2-73)
- Quarterly Prices for Canned Fruits and Juices (FCAN-2-73)
- U.S. Trade in Essential Oils, 1960-71 (FTEA-2-73)
- India's Oilseed Outlook (FFO-9-73)
- March U.S. Trade in Livestock, Meat, and Meat Products (FLM-10-73)
- Current Status of Cotton and Cotton Product Purchase Authorizations Issued Under Public Law 480 (FC-14-73)
- Cotton Highlights in Selected Importing Countries (FC-15-73)

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FOREIGN AGRICULTURE

GUATEMALA'S COFFEE BORER OUTBREAK CAUSES CONCERN

Guatemalan Government experts are disturbed by a new flareup of the coffee bean borer (*broca* in Spanish), mostly in the southwestern Department of Suchitepéquez, and may be looking abroad for advice and assistance in dealing with the pest.

The broca infestation seems to be centralized in the municipal region of Chicacao but, according to some planters, it may be less of a threat than estimates imply.

According to Guatemalan experts, Peru is the third country in the Western Hemisphere where broca infestations have been noted, although it is prevalent in some other areas of the word.

Broca's presence was reported in Guatemala in September 1971 on one farm near Chicacao, but a survey of the immediate area at that time found it on 25 other farms. Twelve months later, the insect was identified on 53 farms, but was said to have been largely confined to the original area, although it may be spreading there.

A late report indicates that about 122 farms are now under quarantine, compared with 116 in January, and 53 last year. The majority of infested farms are in Suchitepéquez Department, with about a dozen apiece also in Sololá and Chimaltenago Departments. The hardest hit municipal region is Chicacao, where nearly 42 farms are under quarantine.

According to the National Coffee Association (ANACAFÉ), the infestation has been confined to 2 percent of the coffee growers in the original Chicacao area, although several outbreaks have had to be stamped out. No one has suffered serious economic loss as a result of these infestations, although local and foreign shipments have been strictly controlled to keep the disease from spreading further. The Guatemalan Government's extension service has kept some 3,000 persons informed about the insect's encroachment and measures to control it.

The Government's broca-eradication program is administered by ANACAFÉ and the Ministry of Agriculture, with policing assistance from the Ministry of Defense. Some $500,000 have been spent in various stages of the antibroca campaign since it was launched in September 1971.

To contain the insect, the Ministry of Agriculture—during the 1972-73 marketing year—posted inspectors at each of the coffee mills in the infested areas who examined every shipment brought in for processing. This year, farms found to be harboring the pest were put on a quarantine list and could ship coffee only if it were fumigated and accompanied in transit by a Government permit. In some areas, soldiers were spotted at highway checkpoints. Using the quarantine list they watched for shipments of coffee, bananas, or plantains from the listed farms to be sure they were accompanied by the required permit. Any mill processing quarantined coffee not accompanied by a permit was closed down immediately and fumigated.

Bolivia's Cotton Crop Hits Record Level For 1973 of 16,000 Bales

Bolivia is harvesting a record 1973 cotton crop estimated at 160,000 bales in volume and US$27,685,000 in value. The estimate of volume is based on an average yield of 512 pounds per acre applied to a planted area of 150,000 acres. Export earnings are expected to reach at least US$20 million after making provision for 25,000 bales for domestic consumption. Weather has been highly favorable during the growing and harvesting seasons.

Bolivia's cotton-growing area is in the lowlands near Santa Cruz, east of the Andes range. Cotton has become Bolivia's most important agricultural export during the last 3 years. Even under adverse weather conditions of 1972, cotton exports totaled 51,000 bales, valued at $7,556,500.

The location of the Santa Cruz area is so remote from population centers there is an acute shortage of cotton pickers. The Government is mustering military conscripts and providing transportation for urban unemployed who are willing to pick cotton.

The Association of Cotton Producers (ADEPA) has raised wages so average daily picker income is US$2.00, compared with US$1.52 (before Bolivia's devaluation) in 1972.

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